

# STATEMENT TO THE PRODUCTIVITY COMMISSION GAMBLING INQUIRY

By Allen Windross, Managing Director  
TAB Limited

Tuesday 30 March 1999

**Clarification:** The opinions set out in this statement are my own and do not necessarily reflect the views of my Company.

**Form:** I list as questions what I regard as the major issues for the Inquiry and provide a brief answer for each question.

# Productivity Commission

**Q. *Why do Australians gamble?***

- A. The great majority do so for the entertainment value of the activity. This manifests itself in the hearing or viewing of the race or the game and the thrill of selecting correctly. It can also be the '*what if*' musing following the purchase of a lottery ticket. Around one per cent of Australians are believed to gamble because either they have a problem which manifests itself in gambling or they seek to earn their income from gambling, ie they are professional gamblers.

**Q. *Are there subsidiary motives for gambling?***

- A. Yes. TAB Limited has found that many lonely people, especially the elderly, use the daily visit to the TAB or a call to its Account Betting centre as a means of social interaction.

**Comment:** This is not unlike the phenomenon encountered by meals on wheels volunteers. The arrival of the food is secondary to the opportunity to talk to the volunteer.

**Q. *What is the minimum cost to gamble?***

- A. A wager on a horse or greyhound race can cost as little as 50 cents. This is lowest cost of any form of gambling.

**Comment:** Depending on the length of the session and the degree of success, gambling is almost certainly the cheapest form of commercial entertainment.

**Q. *Who gambles in Australia?***

- A. Almost everyone but some do not regard their activity as gambling, eg trading in shares, buying real estate.

**Q. *Who gambles in Australia under the more precise description of gambling?***

- A. About 80% of the adult population.

**Comment:** TAB Limited research and statistics suggest that up to 70% of adults place a wager on Melbourne Cup Day. A number in excess of 2 million adults visit or call TAB Limited on the day.

**Q. *What is the age distribution of gamblers?***

- A. TAB Limited research shows its customer base to closely correlate to the age distribution of the overall adult population.

**Q. *Where do gamblers live?***

- A. TAB Limited sales statistics show a close correlation with population and income levels in NSW except for parts of the Sydney metropolitan area. Ordered by TAB sales the highest 10 residential area post code districts show 5 Western Suburbs, 3 Eastern Suburbs, 1 Southern Suburb and 1 Inner Western Suburb.

**Comment:** The absence of entries from north of the harbour is obvious yet many of these suburbs parallel the Eastern Suburbs in income levels and other socio-economic measures.

**Q. *Do males and females gamble equally?***

- A. A cursory examination of many gambling venues in Australia would lead one to the conclusion that more males than females gamble. This also seems to be valid for attendance at sporting fixtures. Anecdotal evidence and some limited research suggests that females have male friends place wagers for them. The venue environment plays a part in this as the sex distribution of TAB Limited telephone account holders is much more even.

**Q. *Where does gambling take place?***

- A. Consider this list of yesterday and today -

	<b>1949</b>		<b>1999</b>
<b>Legal</b>	Racecourses Via the post Newsagencies Lottery offices	<b>Legal</b>	Racecourses Off-course betting centres Via the post Newsagencies Lottery offices
<b>Illegal</b>	Casinos Card rooms Social clubs Hotels Two-up centres SP places		Via the telephone including Internet Hotels Registered clubs Casinos
		<b>Illegal</b>	Card rooms SP places

**Comment:** There is obviously greater availability of legal and thus regulated gambling today than there was 50 years ago.

**Q. *When does gambling take place?***

- A. The construction of a list similar to the one above will show similar significant increases in availability. In 1949 but a few would have had the opportunity to gamble for extended periods. Today we have 24 hour casinos and other venues.

**Q. *How should Internet gambling be controlled and regulated?***

- A. The Internet is simply another use of telephony. It is just as interactive as a telephone handset. TAB Limited introduced interactive wagering to the home through telephone betting in 1965. From June 1997, TAB Limited enhanced this service to provide Internet access. Called iBet the facility has encountered no problems or criticisms. Today some 6,000 account holders or 5% of all TAB Limited account holders regularly use the Internet. To suggest the Internet requires special controls and regulations seems pointless.

**Q. *What amounts do people gamble in Australia?***

- A. The most accurate answer is that nobody knows. From time to time the media publishes gambling turnover statistics suggesting billions of dollars are being gambled by Australians. The better informed will look past the turnover numbers and concentrate on the amounts retained by the gambling provider, ie they look for the numbers associated with terms such as takeout, gross revenue or drop. Unfortunately both sets of statistics are nonsense numbers as they do not record the real dollars gambled and lost or won. A person gambling in a venue which offers products with low takeout rates, eg table games, gaming machines or wagering on racing, may start a gambling session with \$100. After, say, three hours, that person may have won and lost many stakes. A turnover of \$1,000 would not be improbable. At a 10% takeout, the revenue is recorded as \$100 but our gambler may finish the session still holding \$100. That person will say he or she is "*all square*".

**Comment:** Probably the only way to measure the real amount of gambling losses is to record "*new money*", ie the amount put forward as stakes which does not include winnings from recent spins or plays. The situation described above means that some forms of gambling are overstated while others are understated in terms of their impact in the economic model. At opposite ends of this scale are gaming machines and Lotteries/Lotto. In this respect the latter require large amounts of new money to form each pool. This is because the bulk of the gambled pool is retained by the operator and the winner of the first prize.

**Q. *Are the tax rates on gambling in Australia logical and consistent?***

- A. Absolutely not. The rates appear to have been set for political considerations rather than for revenue or fairness. Some gambling products have price control, ie the regulator has set maximum takeouts. The situation is further confused because of the difficulty in measuring the extent of gambling as noted above.

**Q. *Do problem gamblers exist?***

- A. I am yet to be convinced of this, however I fully acknowledge that there are people with problems who gamble. A lot of these people also have other dependencies or addictions. I am concerned that Australia is seeing the emergence of a professional problem gambling industry lobby which seems to be taking over from the morally and socially motivated welfare groups.

**Q. *What does TAB Limited do about people with a problem who gamble?***

A. In July 1988 TAB became the first gambling operator in its State to display gambling self help signs in its venues. These signs gave the telephone number for the counselling service of Lifeline. From 1 April 1998 these signs were varied at the request of the Government to offer the GLINE service. For more than 20 years TAB has issued guidelines to its venues about betting on credit. These mandatory instructions warn of dismissal from employment or termination of Agency for any breach of the guidelines. These procedures have been rigidly applied. TAB has now also decided to develop a formal code of practice to issue to all its venues.

**Q. *How can the Productivity Commission assist Australia's Gambling Industry?***

A. The Commission should find that -

- State and any Commonwealth taxes applied to gambling should be harmonised between products and jurisdictions, ie taxation rates on revenue should be equal;
- gambling should be taxed at the same rate as other products in the leisure and entertainment sector of the economy;
- price fixing in relation to gambling products should be abolished, ie market forces should determine takeout rates;
- excessive regulation of gambling should be reduced;
- research should be conducted in order to determine the true amount of gambling in Australia.

**A WINDROSS**  
30 March 1999

**Note:** Allen Windross has been the chief operating officer of TAB since 1987. He joined the organisation March 1965. In his first years with TAB, he managed cash sales outlets before moving into the technology development and support area. He has published many papers on various aspects of gambling.